




King County
Administrative Policies and Procedures

General Administrative
Policies & Procedures

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| Title Equipment Lease Evaluation | Document Code No. CON 7-3-1 (AEP) |
| Department/Issuing Agency Executive Services – Finance and Business Operations Division | Effective Date. October 13, 2008 |
| Approved  | |

1.0 SUBJECT TITLE: Equipment Lease Evaluation

1.1. EFFECTIVE DATE: TBD

1.2. TYPE OF ACTION: SUPERSEDING CON 7-3 (AP)

1.3. KEY WORDS:

2.0 PURPOSE:

2.1. To provide an efficient, centralized process for the leasing of equipment by the County.

2.2. To procure equipment and to recognize economy, greater flexibility, and availability of equipment through a method other than outright purchase.

3.0 ORGANIZATIONS AFFECTED:

3.1. All County departments, offices, and agencies of King County.

4.0 REFERENCES:

4.1. King County Code, Chapter 2.96 - Purchasing

4.1.1. King County Code, Chapter 2.96.010 - Administration of equipment lease and lease purchases.

4.2. King County Charter 920.10.40 - Office of Property and Purchasing.

5.0 DEFINITIONS:

5.1. "Capital Lease" means a contract or instrument conveying property to another for a specified period or for a period determinable at the will of either the lessor or the lessee in consideration of rent or other compensation.

5.1.1. A lease is capital if it meets one of the following criteria:

5.1.1.1. present value of lease payments is at least 90%;

5.1.1.2. the lease will extend for at least 75% of the asset life;

5.1.1.3. the asset can be purchased for a bargain price at the end of a lease term; or

5.1.1.4. the asset automatically becomes County property at the end of the lease term

5.2. "Asset" means an item of ownership having exchange value.

5.3. "Equipment" means anything kept, furnished or provided for a specific purpose.

6.0 POLICIES:

6.1. One or more of the following conditions must exist as a prerequisite to the lease of equipment:

6.1.1. Provides use of an asset not otherwise available; or

6.1.2. Meets the temporary use of equipment; or

6.1.3. Provides buying and servicing advantages not otherwise obtainable; or

6.1.4. Shifts the risks of ownership; or

6.1.5. Realizes an economic advantage through leasing.

6.2. The procedures for leasing are executed and managed primarily by the Procurement and Contract Services Section; however, the Director of the Department of Executive Services is designated the responsible official for administration, evaluation and final approval of proposed equipment lease agreements and/or lease/purchase agreements for equipment.

7.0 PROCEDURES:

Action By:

Action:

Requesting
Agency

7.1. Determines specifications for equipment which may be obtained through a lease arrangement; formally notifies the Procurement and Contract Services Section.

7.2. Performs a lease versus purchase cost analysis of the required equipment based on the present value and/or payback methods.

7.2.1. The requesting agency will seek advice and support from its assigned budget analyst.

County
Executive

7.3. Approves the lease and provides the Council with a written explanation of why the lease is preferred when the cost benefit analysis indicates

that a purchase rather than lease and/or lease purchase of equipment is in the best interest of the County and the net present value differential is \$5,000 or greater.

Procurement
and Contract
Services
Section

- 7.4. Issues a purchase order or lease agreement; ensure compliance documents are included in lease agreement.

Requesting
Agency

- 7.5. Notifies Fleet Administration Division that the lease is a capital asset in order to tag the equipment and possession of capital asset is taken.
- 7.6. Conducts an annual cost benefit analysis sixty days prior to the termination day for any lease considered for renewal.

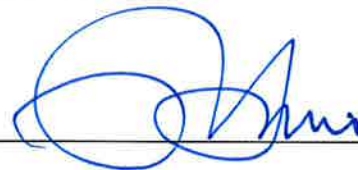
8.0 RESPONSIBILITIES:

- 8.1. The Director of the Department of Executive Services is designated the responsibility of administering or evaluating lease and/or lease purchase agreements for equipment.
- 8.2. The Procurement and Contract Services Section is designated by the Director of Executive Services to carry out the execution and management of the equipment leasing program as part of the centralized purchasing process.
- 8.3. Department Directors, Division and Agency Managers are responsible for approving the lease of any single piece or group of similar equipment for the same department or identical organization with a total cost of \$5000 or more.
- 8.4. Analysts from the Financial Management Section are responsible for helping the requesting agencies perform the lease vs purchase cost analysis.

9.0 APPENDICES:

- 9.1. None

Dated this 3 day of October, 2008



Ron Sims
King County Executive

Attest:

*not required
Anne*

Anne Bruskiand, Interim Director
Records and Licensing Services Division